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AZERBAIJAN COMPETITIVENESS AND TRADE (ACT) PROJECT

*ACT Progress Report for FY2012 Quarter 1
October 1 – December 31, 2011*



This publication was produced by Sibley International LLC, for review by the United States Agency for International Development.

Picture Caption: ACT staff facilitate visit from Italian, “Ferrero-Rocher,” experts to Agro-West LLC, local hazelnut processing company, in October 2011 to observe the production process and quality levels and to explore future cooperation opportunities.

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Azerbaijan Competitiveness and Trade (ACT) Project

ACT FY2012 Q1 October 1- December 31, 2011

DISCLAIMER

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ACRONYMS

ABM	Activity Based Management
ACT	Azerbaijan Competitiveness and Trade Project
BDS	Business Development Service Providers
CBA	Central Bank of Azerbaijan
COP	Chief of Party
CSO	Civil Society Organization
FMS	Financial Monitoring Service
GATT	General Agreement on Tariffs and Trade
IER	Institute of Economic Reforms
IFC	International Finance Corporation
ISPM	International Standards of Phytosanitary Measures (ISPM)
LOE	Level of Effort
MOA	Ministry of Agriculture
MOED	Ministry of Economic Development
MOF	Ministry of Finance
MOH	Ministry of Health
MOT	Ministry of Taxes
PMPI	PMP indicator
SME	Small and Medium Enterprises
SOW	Scope of Work
STTA	Short-term Technical Assistance
USAID	US Agency for International Development
WTO	World Trade Organization

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Project Overview

Sibley International is pleased to present the Azerbaijan Competitiveness and Trade Project Year 2 Quarter 1 Report in accordance with contract number AID-EEM-I-00-07-00003, task order number AID-112-TO-10-00002. This report covers quarterly reporting for year 2 and describes Project activities completed during Q1 – October 1 - December 31, 2011.

The ACT Project began operations in October 2010 and builds on the work of various other USAID Projects previously completed to support similar objectives. The USAID ACT Project aims to improve the domestic business enabling environment; develop a liberalized, more transparent trade environment; and improve targeted value chains in the agriculture sector of Azerbaijan. These overall objectives will be additionally supported through the elimination or mitigation of technical and administrative barriers that hinder progress in all three areas.

Formally, the Project is divided into the three abovementioned interconnected and interdependent components. In addition, there are several cross-cutting technical areas that support all three components. These include the development of a public-private dialog to support discussions between the private and public sector to improve understanding of changes; the analysis of costs of various initiatives (legislation implementation, administrative barriers, trade facilitation, etc.) to facilitate the understanding and possible change of various legal and administrative measures through the use of objective cost information; overall monitoring and evaluation to ensure the Project objectives are met; and development and implementation of a grants program to support the development of partner organizations in building local institutional capacity.

The Project works towards achieving the following as defined in the SOW¹:

- Broad based understanding and acceptance of the need for an improved domestic business environment achieved, involving businesses, universities, associations, alliances, etc.
- Stakeholders active in pushing towards an business environment, sectors especially in agriculture/agribusiness sector
- Improved domestic business environment laws and the implementation of these laws, leading to an investor climate in the nonoil sectors
- Enhanced capacity within the Central Bank of Azerbaijan to maintain stability within the financial sector of Azerbaijan
- Broad based understanding and acceptance of the need for a liberalized, more transparent trade environment achieved.

¹ The following objectives are taken directly from the draft revised SOW as discussed with USAID. These revisions had not officially been approved through a project modification at the time of development of this report. However, the report progress for the first quarter of Year 2 reflects the new format of the SOW according to the proposed revisions.

- Stakeholders are active in pushing toward a more liberalized, transparent trade environment
- Laws drafted, amended, and/or adopted, i.e., World Trade Organization (WTO) related and targeted business environment laws
- Implementing rules and regulations transparently enforced, e.g., greater transparency with regard to trade, and other corruption fighting measures that will lead to increased exports
- Improved access to market information and agricultural best practices, through academic institutions, professional associations, alliances, etc.
- Adoption of best practices by farmers/businesses in targeted sectors
- Improved access to markets for targeted value chains
- Improved access to finance for firms and farms within the targeted value chains

Project Activities and Accomplishments in Year 2 Q1 –

Component 1: Domestic Business Environment Improved

Accomplishments Highlights in Year 2 in Component 1

Component 1 made substantial progress in shaping policy affecting the domestic business environment developing three different sets of recommendations for the Office of the President and helping to shape a key piece of legislation on the state cadastre for real estate. It also kicked off its training effort with five agencies conducting food safety inspections and conducted an intense, 30 day training on cost benefit analysis for agencies charged with undertaking public investment appraisal.

At the Central Bank of Azerbaijan (CBA), it began active support for the Bank's efforts to introduce activity based management and risk based bank supervision, deploying experts for each undertaking. It also made substantial progress in assisting the Bank's development of a cash management system. Three world class organizations had submitted detailed bids by the close of the quarter.

On anti-money laundering efforts, the bank established a clear work plan for 2012 with the Financial Monitoring Service and began developing the content for the e-learning system.

In terms of meeting targets established by the project monitoring plan indicators (PMPs)², measureable progress was made in public advocacy (PMPs 1-2.1 and 1-2.2), in strengthening institutions (PMP 1-2.3), and in improving the legislative framework for businesses (PMP 1.12). Measureable progress was also seen with the indicators associated with efforts to combat money laundering (PMPs 1.6, 1.7, and 1.8). Efforts began in terms of meeting the targets related to establishing a risk assessment system for banks (PMPs 1.1 and 1.2) with the mobilization of a consultant to assist the bank with this issue.

Activity 1.A: Build and Sustain the Case for Economic Reform in Azerbaijan

As of the end of the previous quarter, the project had competitively selected a consortium of Civil Society Organizations (CSO) and private firms to map the start-up procedures of three businesses in order to illustrate and document administrative barriers hampering business activity. This was approved by USAID with a reduced scope of activities (only two types of businesses—a fish

² See page 42 for all PMP indicators that are tracked on a quarterly basis along with current progress.

processing plant and an olive growing and processing plant). The project entered into a contract with the consortium. The first deliverables were due at the beginning of Q2.

Another competitive selection—to evaluate the president’s anti-corruption program from the perspective of business—had been canceled toward the end of the previous quarter with the possibility of a re-tender. As of the end of Q1, various considerations, including the controversial nature of the study and other competing priorities for studies, led the project to delay re-bidding for this activity indefinitely.

In addition to the public private dialogue, the project’s statement of work called for it to identify existing mechanisms for supporting Small and Medium Enterprises (SMEs) and agricultural enterprises in their efforts to work within the existing legal and administrative environment. To this end, the project in Q1 published a brochure developed jointly with various legal providers located throughout the country. Several hundred of these brochures had been distributed to implementation partners of the project (particularly those in Component 3) by the end of Q1. This distribution is reflected in Indicator 1.

The project also initiated efforts to reach out to CSOs on a possible information campaign on encouraging farmers and agricultural enterprises to register their land with the State Committee on Property Issues. This occurred through a roundtable and a television show on this topic, both sponsored by the project early in Q1. The TV show can be found on YouTube.

Finally, consistent with its requirement that it offer training to CSOs later in the year, the project undertook an informal review of CSO needs in this area. The results revealed that CSOs generally believe they do not need training. Rather, they would prefer to offer training to others on a for-fee basis.

Activity 1.B: Facilitate Changes to Business-Related Laws, Regulations, and Administrative Procedures so as to Improve the Business Climate, Particularly in the Non-Oil Sectors

This portion of the report describes sub-activities as of the project as delineated by the work plan.

Sub-Activity 1.B.1: Tax Reform

At the end of the previous quarter the project had mobilized an expert to develop revenue estimation models that could be used to evaluate the fiscal impact of changes in tax policy. Early in Q1 the expert completed models that illustrated the possible revenue impacts of adjustments to policies concerning personal income tax (PIT) and value added tax (VAT). The project held a training course on each model for members of the Ministry of Finance (MOF) and the Ministry of Taxes (MOT) early in Q1.

Concurrent with this, the project developed and submitted to the Minister of Finance and the Minister of Taxes a letter proposing in concrete terms the assistance the project could offer and the type of cooperation necessary from the ministries to make that a reality. The Minister of Finance responded favorably in writing with respect to work on developing tax models and to cooperation in general with the appointment of a point person.

The Minister of Taxes did not respond in writing. However, in a meeting in December with the project's COP and USAID officials, the Deputy Minister expressed enthusiastic interest in working with the project in the following areas: 1) evaluation by ACT project of services provided to taxpayers by the MOT; 2) evaluating and offering recommendations on the curriculum and pedagogical approach of the recently opened Tax Training Centre in Shamakhi; 3) knowledge sharing by project experts (all of which would contribute to the project's targets under PMPI 1-2.3). With respect to issues raised in the letter concerning tax policy, the Deputy Minister noted that there may be room to review comments received by other agencies on proposed changes to the Tax Code early in the year, but that the immediate priorities for the MOT were the above identified items. Mr. Alakbar Mammadov, the advisor to the Minister, was appointed to be the primary contact point for the project and any collaborative work with the MOT.

Sub-Activity 1.B.2: Property Law Reform

During the previous quarter, the project's property law expert submitted comments on approximately twenty provisions of the draft Law on a Unified Real Estate Cadastre. A review of a subsequent version of this law (obtained in mid-November), indicated that approximately half of the provisions commented upon by the expert had either been removed or modified in a manner consistent with his comments.

The project brought back its property law expert to participate in a conference organized by the State Committee on Property Issues early in Q1. Although the conference was focused particularly on rather ephemeral and technical issues (combining all land-related data collected by the state into a single platform), the presentation by the project expert was able to refocus the conference back to farmers, to the fact that their lands are not officially or accurately registered, and the need to create a market for land in the regions. The recommendations in the presentation stemmed from the findings of the property law expert and a colleague of his, both of whom were in country during the previous quarter.

This presentation was well received. Several of the project's proposals made their way into a joint statement that came out of the conference. In addition, on the basis of the core ideas presented at the conference, the project developed a briefing paper for the Office of the President. This was first circulated among officials at USAID and the US Embassy and was very well received. By the end of the quarter the briefing paper was in the process of being translated into Azerbaijani.

Sub-Activity 1.B.3: Commercial Law Reform

This sub-activity breaks down into several discreet areas.

Legislative Agenda for Office of the President

During the quarter the project completed a detailed briefing paper of legislative initiatives (including those related to trade and the World Trade Organization (WTO) commitments) reflecting the priorities of the project. As required by both the project's statement of work and the Year 2 work plan, this needs to be submitted to the Office of the President on a semi-regular basis.

The legislative agenda was submitted to USAID and modified to take into account its concerns. By the end of the quarter, the translation into Azerbaijani of the legislative agenda was being finalized.

Competition Code Dialogue

In late October, the project participated actively in a conference designed to facilitate feedback for members of the Mili Majilis on the draft Competition Code. While much of the discussion focused on the proposals encapsulated in the draft alternative code developed by the project, it became clear that over the course of the conference that, contrary to statements made earlier by the Office of the President and certain sources in the Mili Majilis, the project's alternative code was not necessarily the working draft.

In response, USAID requested, and the project responded with, a plan for engaging in dialogue with members of the Mili Majilis and other influential persons. Under this plan the project, by the end of the quarter, had (1) developed a letter for the Ambassador on the Competition Code, which was sent to the Speaker of the Mili Majilis, (2) organized a roundtable discussion on the competition policy in Sheki jointly with Ali Masimli, a progressive and relatively influential member of the Mili Majilis and director of the Institute of Economic and Social Innovations, (3) sponsored and had a project attorney presentation on a regional TV show on improvement of competition policy and legislation and (4) had published a request for proposals for a civil society organization to facilitate dialogue with the Mili Majilis specifically on competition law principles.

E-Commerce Legislative Package

The legislative package one-commerce was expected to have been completed this quarter as the result of a visit of the project's expert in Q4 of year 1. However, the project's expectations were underestimated in terms of the additional work required of its local experts, and therefore timelines to complete the legislative package based on the materials provided by the consultant had to be extended, as the project's attorneys developed supplemental explanatory materials. By the end of Q2, the legislative package on e-commerce will be completed and submitted to the

Office of the President. As this involves approximately ten separate pieces of legislation, this will have a substantial impact on PMPI 1.10.

Secured Transactions Law Promotion

In late October, the project co-sponsored with the International Finance Corporation (IFC) a conference on the benefits of the secured transactions law at the Hyatt Hotel. The conference featured a leading expert from the World Bank on the subject and the Azerbaijani attorney who led the working group that developed the draft legislation on this subject several years previously



International expert Mr. Everett Wohler's speaks on implications of the draft Law on Secured Transactions

(with the support of USAID). The conference also featured a speaker from Access Bank, who spoke on the needs of the banking industry for such legislation. Mr. Greg Olsen, the newly arrived head of Economic Growth at USAID, was one of the opening speakers.

Attending were government officials from the Central Bank, the Office of the President, and the Ministry of Economic Development (MOED). One of the goals of the conference was to gather support for the law particularly by the Central

Bank, a strategy pursued by the IFC for several months (also reflected in PMPI 1.10). It was decided for a short period of time to defer to the IFC's strategy before undertaking other efforts to promote the draft law.

Draft Law on Licenses and Permits

Early in Q1, President Aliyev issued a decree that called on the MOED to draft a Law on Licenses and Permits. Other countries adopting laws of this sort (Tajikistan, Ukraine, Georgia) have substantially improved their regulatory environments for businesses as a result.

The project through two meetings with the Ministry of Economic Development and with the IFC was able to be recognized by both entities as a key advisor on the shape and direction of this draft. Joint work with the IFC began as the quarter was ending.

Sub-Activity 1.B.4: Administrative Barriers Reduction

This sub-activity encompasses work on business start-up, leasing of land, food safety inspections, and the adoption of regulatory impact analysis methodologies.

The work on business start-up focused on the finalization of the contract with the consortium contracted to map out the procedures for starting a fish processing plant and an olive growing/processing business. This is discussed in more detail under Activity 1A.

Work on leasing of land and on regulatory impact analysis methodologies was postponed until the following quarter when a full-time business environment specialist is expected to come on board.

Substantial progress was made with food safety inspections. This is particularly important as the PMP is measuring the number of agencies that introduce improvements into their food safety inspection regimes as the result of project assistance (PMPI 1.5). The project began providing support to the State Phytosanitary Control Service to develop inspection checklists. It also developed a joint agenda with the five food safety agencies for a series of seminars and roundtables on ways in which the inspection system could be made more efficient and business friendly, while maintaining adequate protections for public health at the same time.

Sub-Activity 1.B.5: Public Investment Rationalization

The project organized and conducted a four-week training on public investment appraisal in conjunction with the Institute for Economic Reform (IER) under the MOED. Initially 36 people signed up to take the program. As anticipated, within a day or two, the class shrank in size to 29 as the group became more familiar with the subject matter of the program and the demanding workload it entailed. The group of 29 who completed the program had an attendance record of close to 100 percent.

In addition to those from the Institute for Economic Reform, the participants were from the Ministry of Finance, the Ministry of Transportation, the Ministry of Agriculture, the Ministry of Youth and Sport, the Ministry of Health, the Ministry of Emergency Situations, AzerEnergy Joint Stock Company, AzerSu Joint Stock Company, the State Committee on Urban Planning and Architecture, the Azerbaijan State Institute of Water Management Units Design, the Azerbaijan Scientific Production Association for Hydrotechnical Facilities and Land Development, and the State Oil Fund of Azerbaijan.

The content of the program was equivalent to two graduate level courses in applied economics and finance. Of the 29 participants, 26 received a grade of B or better for the first module (on Financial and Risk Analysis) and 23 received a grade of B or better for the second module (on Economic and Stakeholder Analysis).

Although institutional challenges remain in having public investment projects appraised in accordance with international standards, the course energized both the IER staff and the participants from the other agencies to begin addressing these problems.

Shortly after the completion of the training, the top seven performers from the IER formed a cost-benefit analysis group within that organization. Jointly with the ACT Public Expenditure Advisor, this group reviewed the national parameters used as input in cost-benefit analysis and identified which of them needed to be updated to ensure correct calculation of financial and economic

impact. The group also reviewed the draft Instructions on Project Appraisal and Monitoring (still with the Cabinet of Ministers—not yet issued) and translated the main part of the document into English for ACT reference.

Activity 1.C: Enhance the Capacity within the Central Bank to Maintain Stability within the Financial Sector

This activity breaks down into work with the Central Bank proper and with the Financial Monitoring Service, which is under the Central Bank but has separate offices and a more specialized mission. Note that even though the work here represents substantial work with institutions, activities here will not be measured by incremental change in PMPI 1-2.3 as these two institutions have already been counted as “strengthened” in year 1.

Sub-Activity 1.C.1: Central Bank Assistance

Assistance to the Central Bank during the quarter focused on (1) launching its efforts to introduce activity based management across the bank, (2) introducing risk-based methodologies into its bank supervisory activities, and (3) continuing to support the development of the CBA’s cash management system and materials handling system.

With respect to risk based bank supervision, the project’s expert began work offsite in early December and traveled to Baku for a relatively short trip later in the month. Both offsite and onsite he assisted the bank personnel at the Prudential Policy and Methodology Department develop a concept paper on risk based methodologies and an implementation plan on how such methodologies would be introduced over time. By the end of the trip, both the expert and bank’s liaison to him (Rustam Tahirov) expressed satisfaction with the results of the technical assistance that was provided.

With regards to efforts to help the bank develop a cash management system, the efforts of the project’s experts reached a milestone late in the quarter with the submission of bids for development of the cash management system by three companies including SAP (the world’s leading business software company), Giesecke & Devirent (German company specializing in banknote and currency management systems—well regarded in its industry) and Project Engineering and Contracting Corporation, a leading supplier of equipment and software for Central Banks around the world. The bids were being evaluated as the quarter ended.

The materials handling system procurement is still in the pre-qualification stage. During the quarter the experts worked with the general contractor of the CBA’s new facility to ensure that the layout was sufficient for the materials handling equipment that was to be installed. They also prepared the materials handling pre-qualification materials, specifications and procurement package for the upcoming bidding for the CBA’s new cash center equipment.

With respect to activities based management (ABM) the project's expert arrived in late November and began the fact finding and training necessary to introduce these methodologies at the CBA. He also assisted the head of the Financial Management Department in developing presentation materials necessary to garner and maintain support by the bank's governing board for this effort. With respect to several of his planned activities, the expert was hampered by competing year-end priorities among some of the bank staffers who were tasked with working for him. The expert is scheduled to return in late January. Currently CBA's counterpart (Araz Nasirov) is preparing an annual work plan including an interview schedule. Four out of five weeks of each trip will include meetings with staff of CBA. The last week will be used for summarizing the data.

Sub-Activity 1.C.2: Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT)

At the beginning of the quarter, project management, along with a representative from USAID met with the head of the Financial Monitoring Service to discuss activities that USAID was prepared to support over the coming year outlined in a letter dated October 12. The activities described in the October 12 letter supersede the activities in the work plan.

Development of an E-Learning System on AML and CFT Issues

With respect to the logistics and technology aspects of the e-learning system, a vendor (ICSL Learning Group) was chosen in a competitive bid, and the Financial Monitoring Service signed the purchase contract. On the substantive side, the project completed approximately 35 of the 40 or so English language based modules contemplated for the system. Five of them had been translated and were under review by the Financial Monitoring Service (FMS) as of the end of the quarter. As this activity is still in its incipient stage, no individuals have taken the e-learning course, the numbers of which are being tracked by PMPI 1.6

To help guide this process, the FMS has formed an e-learning steering committee. In a meeting before the end of the quarter it decided to orient the focus of the materials towards those relevant and stemming from the FMS or the CBA, rather than attempting to collect and develop materials from the myriad regulatory agencies that have some involvement in financial monitoring and the prevention or prosecution of money laundering activities

Issues/Constraints

Other competing activity and budget priorities (as reflected in the revised project SOW), has resulted in a substantially lower amount of potential funding for activities with CSOs on public private dialogue.

Completion of Azerbaijani versions of documents created by the project continues to take extraordinary amounts of time in relation to such efforts in other countries.

A civil society organization well connected with the Mili Majilis has been less than cooperative in facilitating dialogue between the Mili Majilis and the project after the project failed to choose its proposal to evaluate President Aliyev's program against corruption.

Unexpected delays and less than expected technical support by the project's expert on e-commerce has substantially delayed completion of the e-commerce package.

The IFC's expectations that the Central Bank would sponsor and actively support the draft Law on Secured Transactions has yet to bear fruit.

The project's proposed Business Environment Specialist was not approved by the Contracting Officer in late October on grounds that he was not qualified. This hampered progress in the area of administrative barriers while the project undertook a search for a suitable replacement candidate, which is still underway.

The Central Bank has given mixed signals with respect to its commitment to undertake the difficult decisions necessary to fully implement the activity based management system.

High rates of employee absenteeism, sanctioned under the Labor Code, continue to work against optimal efficiency and day-to-day continuity in Component 1 as well as in other Components.

Plans for Q2 (according to various sub-activities)

Activity 1.A: Build and Sustain the Case for Economic Reform in Azerbaijan

The consortium led by Iskanderov & Partners will submit an agreed-upon methodology and work plan in early January 2012, and a process map on starting business type in mid-March 2012, according to the signed contract.

The project will review proposals submitted with respect to its RFP on Supporting Consideration by Members of the Mili Majilis on Policy Choices regarding Competition Legislation, select a successful bidder and sign a contract with them after approval of the Terms of Reference (TOR) by USAID.

The project will finish disseminating the legal brochure among entrepreneurs.

Activity 1.B: Facilitate Changes to Business-Related Laws, Regulations, and Administrative Procedures so as to Improve the Business Climate, Particularly in the Non-Oil Sectors

Sub-Activity 1.B.1: Tax Reform

The ACT project will draft and submit for approval a TOR to recruit an international tax expert to work closely with MOT on the areas of interest to MOT. Moreover, the ACT project will finalize and submit a report on the impact of policy adjustments on tax revenues to MOT and MOF.

Sub-Activity 1.B.2: Property Law Reform

The ACT project will finalize and submit its briefing paper addressing the need to develop an active real estate market to the Office of the President.

Sub-Activity 1.B.3: Commercial Law Reform

The project will continue to promote the passage of a progressive competition law, working with the Mili Majilis and with various stakeholders.

The draft changes to the e-commerce related laws as well as the memorandum justifying such changes will be finalized and submitted to the Office of the President.

The project will continue its efforts to promote the draft Law on Secured Transactions, participating in meetings with government officials on this topic and promoting its benefits with the private sector.

The project will start working closely with the Ministry of Economic Development and the International Finance Corporation on the Law on Licenses and Permits.

Sub-Activity 1.B.4: Administrative Barriers Reduction

The project will develop a draft inspection checklist for the State Phytosanitary Control Service and will negotiate an arrangement to provide a similar type of document to the State Veterinary Service.

The project will also organize several of the scheduled roundtables on inspection issues for the five food safety agencies.

The project will submit to USAID a candidate for the Business Environment Specialist to replace the originally proposed candidate that left the project last quarter.

Sub-Activity 1.B.5: Public Investment Rationalization

The project will work with the IER to clarify and address the institutional constraints facing agencies in applying cost benefit analysis to public investment projects.

Activity 1.C: Enhance the Capacity within the Central Bank to Maintain Stability within the Financial Sector

Sub-Activity 1.C.1: Central Bank Assistance

The project will clarify and address the particular obstacles identified by the ABM expert with regard to actually implementing this system at the CBA. If resolved, it will begin mobilizing the expert to come to Baku on a regular basis to implement an ABM system at the CBA.

The expert on risk-based supervision will provide support from offsite to the Prudential Supervision Methodology Division in February and March.

Sub-Activity 1.C.2: Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT)

The project will wrap up the English-based portion of the development of modules for the e-learning system and will focus on assisting the FMS develop the Azeri version of the modules. It will also address the logistical side of the system, i.e., purchase the SQL software and the e-learning software and thereafter assist the FMS in installing these two software packages on its system.

The project will provide training to bank supervisors at the CBA on AML issues over a three-week period in the middle of Q2.

The project will provide training to FMS staff on SQL software and on critical thinking in Q2.

The project will jointly fund with the FMS the participation of two FMS staffers at the ACAMS training in early January.

The project will publish several textbooks on AML issues jointly with the FMS.

The project will provide ongoing advice to the FMS on an as-needed basis.

Component 2: Liberalized, More Transparent Trade Environment Developed

Accomplishments Highlights in Year 2 Quarter 1 in Component 2

During this quarter, legislative progress was achieved in a number of key areas for improving the trade environment and compliance with WTO agreements. The Draft law on Combatting Piracy was submitted to the President's Office, and the legislative review of the draft law on Technical Regulations was completed at the Legal Department of the President Office. The Draft law on foreign trade activities was submitted to the Ministry of Justice where two other draft amendments (to the Law on Veterinary and the Law on Phytosanitary) were finalized with the assistance of the ACT project. With regards to the accession process, WTO Working Party Members agreed to hold the Ninth Working Party meeting on February 24, 2011. Finally, public-private dialogue facilitated by ACT has improved understanding by stakeholders of the nature of problems facing traders and their impact, promoting the need for resolution.

Activity 2.A: Support to GOAJ in Improving the Trade Environment

Sub-Activity 2.A.1: Trade Environment Legal Reform

The local team of lawyers continued monitoring the legislative process (22 drafts) in order to bring the legal framework in line with best practices and WTO agreements covering a wide array of areas including intellectual property, food safety, animal and plant life health, customs, trade remedies, licensing, foreign trade policy, standardization and accreditation, and technical regulations. In particular, there was progress in the movement of the Piracy Law that was passed from the Cabinet of Ministers to the President's Office (contributing to PMPI 2.5). The updated chart of legislative progress is provided in Annex 1.

Where required, the Team provided technical reviews, support and advice to advance the process. In some instances, support was sought from international experts. The following were the most significant activities performed by the Team to advance legal reform for improving the trade environment:

1. Promoted the need to prepare the draft law on plant variety. The first draft was prepared by MOA on the basis of initial proposals provided by our experts. It was further reviewed by ACT with additional suggestions for improvements. The Draft is currently being revised by MOA which agreed to take into account these additional suggestions.
2. Continued providing support to Office of the President in introducing further amendments to the Draft Law on Technical Regulations taking into account issues related to market

surveillance. Legislative expertise was been finalized during this period. The Draft has been passed on for linguistics expertise.

3. Reviewed and commented on the most recent version of the Draft Law on Accreditation. Comments were provided and discussed with the State Committee on Standards, Patents, and Metrology.
4. Held numerous rounds of discussions with the Ministry of Health and the State Committee on Standards, Patents, and Metrology to resolve the remaining issues hindering the finalization of the Draft Amendments of the Law on Food Safety particularly those related to the role of Committee with respect to food safety.
5. Provided to the State Customs Committee and the Ministry of Justice a compilation of comments and suggestions to improve the Law on Customs Tariff based on previous analyses conducted by our experts and in light of the recently adopted customs code. Draft Amendments to the Law on Customs Tariff are being prepared by the Committee. ACT will review the Draft once it is prepared.
6. Per request of the Ministry of Justice, launched legal review of the most recent version of Draft Law on Foreign Trade Activities. ACT will provide its suggestions by the end of this quarter.
7. Prepared model (ideal) regulations for consideration by the Ministry of Economic Development regarding WTO-consistent procedures for setting Tariff Rate Quotas.
8. Discussed with MOED issues related to finalizing amendments to Presidential Decree number 782 particularly bringing fees charged for licenses in line with WTO GATT Article VIII.
9. Assisted the Ministry of Justice in finalizing the Draft Amendments to the Law on Phytosanitary. The Draft will be submitted to the Cabinet of Ministers as part of package along with other drafts (once finalized) called for under the second legislative action plan.
10. Assisted the Ministry of Justice in finalizing the Draft amendments to the Law on Veterinary. The Draft will be submitted to the Cabinet of Ministers as part of package along with other drafts (once finalized) called for under the second legislative action plan.

The Team has been coordinating with the Office of the President regarding the recently submitted Draft Law on Combatting Piracy and IP Protection. The Legal Department is introducing changes to the Draft and is interested in having ACT review and comment on additional amendments once the Draft is further amended.

The Team has also been coordinating with the Legal Department at Office of the President regarding anticipated review of draft regulations to implement key provisions of the recently adopted customs code.

Sub-Activity 2.A.2: Trade Environment Institutional Reform

The project conducted preparatory work in order to move forward with work plan activities in this area. Along these lines, the project prepared TORs to assist in (1) expanding the nascent SPS enquiry and notification point ; (2) developing procedures for implementing the Code of Good Practice stipulated in the WTO Agreement on Technical Barriers to Trade; and (3) qualifying one laboratory in accordance with ISO 17025 to become accredited to test in five priority areas. These activities will start during the second quarter of FY 2012.

Sub-Activity 2.A.3: Sanitary and Phytosanitary Standards Harmonization

The current standards governing food safety in Azerbaijan are largely based on standards of the former Soviet Union. Harmonizing with Codex Alimentarius and International Plant Protection Convention (IPPC) standards is critical to enable WTO accession and improve compliance with international safety requirements and quality standards. This will improve compliance with import requirements in the Eastern European and EU markets and increase export potential.

The project prepared and submitted to USAID a TOR to support the process of harmonizing with the following two key Codex Standards:

- Maximum Residue Limits (MRLs) for Pesticides - CAC/MRL 1;
- International Code of Practice General Principles of Food Hygiene (CAC/RQ1-1969, Amd. 1999, Rev. 1997 and 2003)

In addition, the project prepared a TOR for developing a plan to convert mandatory standards to voluntary standards. It has been submitted for approval.

Further, preparation of a TOR has been initiated to build the capacity of the State Phytosanitary Service and assist through pilots to harmonize with the following International Standards of Phytosanitary Measures (ISPM):

- ISPM 2 (2007) Guidelines for pest risk analysis;
- ISPM 11 (2004) Pest risk analysis for quarantine pests, including analysis of environmental risks and living modified organisms;
- ISPM 21 (2004) Pest risk analysis for regulated non-quarantine pests; and

Activity 2.B: Support to GOAJ on Procedures and Mechanics of WTO Accession

Sub-Activity 2.B.1: WTO Accession

During FY 2011 ACT assisted Azerbaijan in preparing for its ninth Working Party Meeting. In addition, ACT assisted Azerbaijan in understanding trends, commitments, and the experience of other relevant WTO countries in negotiating bilateral market access on services. Azerbaijan submitted a revised services offer which was considered an improvement over the previous offer (contributing to PMPI 2.3). As a result of the conducted impact assessment studies, ACT encouraged Azerbaijan to further liberalize and change certain policies to ensure greater compliance with WTO agreements. The Project continued this support during the first quarter of FY 2012 where assistance was provided in commenting on the Factual Summary which will form the basis for discussions during the Ninth Working Party meeting. The Factual Summary was finalized in late October 2011 and circulated to WTO members. ACT also supported in updating ACC (Accession Conformity Chart) 4 on domestic agricultural support for the base period of 2008-2010 and revised table was also submitted to the secretariat. In addition to that, ACT also helped the government to fill out Annex 6 of ACC 1 on state trading entities and prepared a table for all state entities that was submitted to the WTO Secretariat.

Based on the above progress, Azerbaijan Working Party Members agreed to hold a working party meeting on December 9, 2011. The meeting was subsequently postponed to early 2012 (February 24) given the busy schedule of the WTO Secretariat and members in closing on the accession of Russia and in preparing for the Eighth WTO Ministerial Conference held on December 15-17, 2011.

To facilitate the next round of negotiations on February 24, particularly the multilateral negotiations on agriculture, the team started assistance to develop an action plan for moving gradually away from the current system of distortive agricultural subsidies under Amber box toward a decoupled system as a transition to green box subsidies.

ACT has initiated efforts to update WTO awareness materials to finalize and release subsequent to the next working party meeting. In addition, during this quarter ACT held a TV program on WTO and standardization (ANS TV) on November 26.

Other

The Project, in partnership with ERC, held a private-public roundtable to discuss the findings and recommendations of the import/export process mapping and analysis. The roundtable was well attended by officials from a number of ministries and state bodies (including Ministry of



Agriculture, Ministry of Economic Development, Ministry of Tax, State Committee on Standards/Metrology/Patents, Parliament staffers); representative from diplomatic missions and international organizations; civil society organizations, private sector representatives, and media. The roundtable was productive in terms of educating about problems related to import export and their impact and in

building support for resolving key bottlenecks. A TV program (ANS TV), held in October 2011, was also sponsored by ACT involving ERC to discuss current issues related to import and export, their impact on consumers and producers, and possible solutions to address them. A radio program was conducted by ERC for the same purpose (Azadliq) during the quarter. Finally, ERC was interviewed by media representatives and published an article regarding the aforementioned in several online publications³.

Project Activities Planned for Q2 FY2012

Activity 2.A: Support to GOAJ in Improving the Trade Environment

Sub-Activity 2.A.1: Trade Environment Legal Reform

- Continue support to all draft legislation in the legislative process with focus on the main priorities: draft law on technical regulations, draft law on foreign trade activities, draft law on trade remedies, draft amending law on food safety, draft law on combatting piracy, draft amendments to Decree 782, procedures for tariff rate quotas, and draft amending customs tariff law.
- Review draft implementing regulations for recently adopted customs code once they become available.
- Assist in further development for regulations related to intellectual property and trade remedies law.

³ The articles can be found at the following links: <http://www.musavat.com/new/%C4%B0qtisadiyyat/113104-%C4%B0DXAL V%C6%8F %C4%B0XRACDA %C4%B0NZ%C4%B0BAT%C4%B0 BARYERL%C6%8FR A%C5%9EKARA %C3%87IXARILIB>, <http://www.azadinform.az/news/a-12407.html>, <http://qafqazinfo.az/AZ%C6%8FRBAYCANDA IDXAL V%C6%8F IXRACDAKI BARYERL%C6%8FR...-8197-xeber.html>, <http://www.azadinform.az/news/a-12407.html>, <http://az.salamnews.org/az/news/read/94720/itm-in-ekspert-grupunun-apardigi-tedqiqatlarin-yekunu-ictimaiyyete-accediliqlanib/?r=1>, http://www.teleqraf.az/index.php?option=com_content&view=article&id=4000%3Aqtisadi-tedqiqatlar-mrkzi-daha-bir-aradrmasn-tqdim-etdi&catid=58%3A55&Itemid=41

- Prepare model regulations for implementing law on technical regulations.

Sub-Activity 2.A.2: Trade Environment Institutional Reform

- Expanding the SPS Enquiry and Notification Point
- Developing procedures for implementing the code of good practice
- Making progress in identifying and implementing ISO 17025 in at least one laboratory
- Implementing the pesticide residue monitoring plan

Sub-Activity 2.A.3: Sanitary and Phytosanitary Standards Harmonization

- Launch harmonization with the following:
 - a) two Codex standards (CAR/MRL1, and CAA/RQ1)
 - b) three IPPC standards (ISPMS 2, 11, and 21); and
- Develop a plan for converting mandatory to voluntary standards

Activity 2.B: Support to GOAJ on Procedures and Mechanics of WTO Accession

Sub-Activity 2.B.1: WTO Accession

- Participate and report on proceedings of the ninth Working Party meeting including analysis for next steps
- Start process of assisting in replying to questions raised by WTO members
- Define additional impact/sectoral analysis that may be required as result of this round of negotiations
- Complete update of WTO awareness materials
- Conduct three WTO awareness seminars
- Update any needed conformity charts

Component 3: Targeted Agricultural Value Chains Improved

Accomplishments Highlights in Year 2 Quarter 1 in Component 3

The first quarter of Year 2 in Component 3 was one of preparation and re-alignment of activities and staff. In planning and preparation, we completed action plans for all value chains, which also serve as work plans for the individual value chain specialists. We also completed work plans, draft contracts, and approval requests to work with our five business development service provider (BDS) partners, and are awaiting approval. In terms of re-alignment, we reduced the amount of international short-term consultant time in order to increase local hires and long term international hires. We replaced almost half of the short-term support with one international long term agriculture specialist and six local sector experts to focus our efforts on increasing the production and productivity of the value chains, and to meet our aggressive training goals. In addition, the training effort will be standardized, with training modules and materials to be used by our local experts and BDS partners, which will result in greater consistency and outreach than trainings done solely by international consultants. The agriculture specialist and local sector experts are expected to start at the beginning of Q2.

The activity to increase access to finance hosted two short term training consultants, Romeo Essanga and Arelis Gomez, that developed a tailored training plan for the four commercial banks the ACT Project is supporting. In addition, the project hosted a very successful cold chain expert, Patrick Hughes, to deliver workshops, develop training materials, and provide targeted technical assistance on cold chain development. Finally, a successful consultancy was provided by Ana Vasylenko in the area of food safety and HACCP training.

Personnel changes in Component 3 during the quarter include welcoming a new Component Leader, Mr. John O'Connell, and Senior Finance Advisor, Mr. Aziz Mammadov.

Activity 3.A: Identify Subsector that Exhibit Potential for Competitive Growth

Sub-Activity 3.A.1: Market and Other Analysis

The DRC Analysis for Aquaculture was completed and accepted by the ACT project, and a presentation on the findings was made to USAID and ACT staff on December 9. A dissemination strategy has been developed and will be finalized in January 2012.

Field visits by the team leader also looked at additional potential value chains to assist. During a supervisory trip to the south, it was found that the most promising value chain was citrus, lemons in particular. The citrus industry has marketing constraints and production issues, that if

addressed could improve the economic viability of the value chain. Other crops that were investigated in the south include tea and feijoa, but both have few constraints that need to be addressed. In the northwest region, some specialty crops were analyzed, such as sea buckthorn, corneal, sumac, and medlar, but more work would be needed to see if any of these items have the potential to form a significant micro-industry. The other crops not yet evaluated are grapes for wine production, which is growing rapidly, and undertaken in at least three different parts of the country, and potatoes, which are in a net import position.

Activity 3.B: Improved Competitiveness of Targeted Sub-Sectors

Sub-Activity 3.B.1: Direct Value Chain Assistance

This activity focuses on developing the value chains above the farmgate level, and is targeted at processors, service providers, storage, and transportation, and all elements in the value chain except the farmer. The specific activities include providing direct technical assistance to SMEs in processing and cold storage, capacity building of project BDS partners, cold chain sector development, food safety and certification activities, and association development. These activities support indicator 3.2 from the ACT Project PMP, which is the number of firms receiving USG supported assistance. The annual goal is 40 firms, but this was easily surpassed with assistance having been provided to 98 firms in just the first quarter of year 2.

Key accomplishments and highlights by value chain and/or sub- activity are as follows:

Horticulture (Pomegranates, Apples, Hazelnuts)

Hazelnuts – In October, ACT staff along with partner organization BIC, arranged a visit for Ferrero Rocher officials and experts to visit 15 farmers and processors. Their visit was funded by GIZ, while the project provided the local knowledge and contacts to make the trip a success. The goal of the Ferrero experts was to begin the process of introducing safety and quality standards to the hazelnut industry in Azerbaijan, in order to eventually sourcing product from here. In November, ACT held a post-harvest workshop and field trainings for hazelnut producers and processors. Field visits were made for 10 producers and processors, where post-harvest issues were discussed, as well as processing plant storage and handling procedures assessed. The workshop covered post-harvest handling issues and the establishment of an association for hazelnut producers and processors. In December, experts from Ferrero returned, with funding support of GIZ, and provided a training workshop on growing and handling techniques for hazelnuts. Their presentation was tailored to the Azeri context, and was prepared based on the information gained on their trip in October. The presentation was well received, and ACT received permission to utilize the presentation in further trainings for hazelnut growers.

Pomegranates – In early November, ACT staff attended the Pomegranate Festival in Goychay, where they met with farmers and processors, and held discussions with farmers and traders on the pomegranate market and popularity of various varieties. The project also provided an introduction and disseminated information on the project’s training and extension activities. In addition, staff assisted in facilitating the US Ambassador’s attendance at the festival as an honored guest at the opening ceremony. In December, ACT facilitated a training program at the Aznar Company for its employees, ACT staff, and project BDS partner, ARAZ. ACT assisted Aznar in identifying and contacting a leading technological services company out of Israel to conduct the intensive four days of training. ACT provided a translator and received training for its employees, and the agronomist at our partner agency for the pomegranate value chain – ARAZ. The training will allow Aznar Company to expand its pomegranate production utilizing the most efficient and modern methods, and will also permit a portion of its 1,000 ha of pomegranates to be used as a demonstration site for training area farmers.



Demonstration booths during Pomegranate Festival '11 in Goychay

Apples – In late October the team facilitate a visit of the USAID Mission Director, Michael Greene and Jonathan Hale, from USAID in Washington on October 29, to Guba to visit apple farmers and cold storage operators. In mid-November, ACT staff visited the Guba region and met with several apple producers and project BDS partner for the apple value chain. This visit was in conjunction with a cold storage management workshop. The staff evaluated several apple orchards, seeing firsthand the issue of trees being past their productive prime and a general lack of information on modern apple production techniques (irrigation, fertilization, cultivation). The project also visited a large, vertically integrated apple production farm, that was using advance growing techniques that were developed in Israel, with 60 ha in production and another 40 ha planned. With European investment, the farm also planned to double the size of its controlled atmosphere warehouse, and anticipated doubling its production in the next three years. During the cold storage consultancy, visits were made to the Meyvali wholesale market just outside of Baku, where the apple market was observed. The seasonal flows of imports and exports, limitations of cold storage, and the impact on the apple market were discussed.

Dairy

In November, a team from Component 3 visited the BDS partner for dairy in the central region to discuss upcoming activities and to meet with several farmers to discuss their issues. In addition, the project met with the ATENA dairy production facility in Agjabedi to discuss ACT plans to

greatly expand the training program to cover many more farmers. The staff also reviewed the possibility of establishing a Memorandum of Understanding between the ACT project and ATENA to gain access to the farmers through ATENA's milk collection centers, and to continue to discuss the possibility of establishing demonstration sites. The project also made contact with the Azersun dairy production and processing firm in Kurdemir. Staff only visited the production facility (dairy barn), which had a herd of 130 purebred Holsteins, modern milking parlor for 12 cows at a time, automatic floor scrapers, and a center pivot irrigation system for raising alfalfa. The plant's cows produce 20 liters/day, which is far greater than small farmers, but the facility could be beneficial for training on various facets of the dairy industry. Currently the dairy barn only provides the adjoining processing plant with 3% of its supply, and Azersun intends to increase the number of milk collection centers to provide additional milk to the processing plant.

In late December, the staff visited the BDS partner for dairy in the southern region to discuss upcoming activities. The project visited the PAL Sud plant and two PAL Sud milk collection centers to see the milk collection process. The area seems to be teeming with cattle and is a good environment with plenty of greenery available for grazing. In addition the staff visited two potential demonstration farms for dairy and was impressed with the willingness of dairy farmers to improve their business. There appear to be several medium sized farmers (20-30 cows), that are most likely to focus on increasing their production and returns from dairy versus a smaller farmer (1-10 cows), which views any income as supplemental. In this region, the dairy operations were supported by beef raising, reported to provide almost half the income.

Aquaculture

In the end of October 2011, the ACT project facilitated the participation of two Azeri participants in the Regional Training on Small Scale Fish Feed Production in Dushanbe, Tajikistan. Benefitting from the project's partnership with the Aquaculture Institute under the Ministry of Natural Resources and Ecology as well as FAO, ACT was able to find financing for two entrepreneurs to join the training: the General Manager of Azeryem, animal feed production company in Balakan, Mr. Mehman Hajiyeu, and the Owner of a carp farm in Sheki, Ms. Khatira Akbarova. The training lasted for one week and participants returned with specific information regarding the subject. Azeryem has already produced a small pilot lot for testing.

Early in December 2011, the ACT project facilitated a trade deal between the owner of the Girkhbulag fish farm in Sheki and a new trout farmer from the North. Together with fingerlings, the new farmer was purchasing eyed eggs produced at Girkhbulag. The project also promoted the new methodology for counting the eggs, which was introduced by the project aquaculture expert in his previous visit. This new counting method allowed the seller to precisely count his eggs, and charge the buyer for the correct number of eggs sold. Thus, the owner of Girkhbulag sold 40,000 eggs for the price of 0,025 AZN/per unit (an egg).

BDS development

During the quarter, management visited four out of five BDS partners to discuss activities for the upcoming year and any needs that the organizations may have. The discussion often centered on the status of the contracts for the FY 2012 year, and their expectations. It was also a good opportunity to reassess the organizations, and to see their capabilities first hand. Of greatest interest is the AIM organization in Agjabedi, which previously trained and certified over 300 village extension agents. In the next quarter the project will be investigating ways to either re-certify this group or look for ways to re-invigorate their extension activities.

There were several key training activities that benefited the technical staff of project BDS partners. In October, the ACT project facilitated the attendance of three people to the regional Post Harvest Management training in Sarajevo, Bosnia and Herzegovina. In attendance were participants from two BDS partners plus a value chain specialist from the ACT office, who served as a translator/facilitator. The training was very well rated by the attendees. They were all furnished with excellent training materials to bring back to Azerbaijan and are expected to begin using to train others. In fact, value chain specialist, Anar Azimzade, has already made use of his training and materials, and has given presentations in conjunction with the cold storage workshops.

Another important training opportunity for the ARAZ BDS was the four day workshop given by the Pomeg HighTech, Ltd. of Israel for the Aznar Company. The workshop consisted of comprehensive field and classroom training on irrigation, fertilization, pruning, integrated pest management, and economic and marketing analysis for pomegranates. Also in attendance were ACT staff that cover the pomegranate value chain, and an ACT interpreter, who translated for the Israeli experts. As a result of our assistance, the Aznar Company has agreed to set aside part of its modern pomegranate orchard to be used as a demonstration site by the ACT project and ARAZ.

Association Formation

In October 2011, the Azerbaijan Aquaculture Association of the Northwest received official recognition from the Ministry of Justice of Azerbaijan Republic (MoJ). Together with founders of an association, the Charter and supporting documentation were developed and submitted to the MoJ. The process of registration took over six months of frequent trips and negotiations with the Ministry, where documents went through the scrutinizing and bureaucratic process of rejection and resubmission. The working group sought all the possibilities to preserve the Charter without significant changes to its content. The fish farmers of the northwest are now an officially recognized group of entrepreneurs whose voice and needs can be heard clearly by the policy and legislation makers in the government.

The registration of the association is just the first step, as ACT will continue to work closely with the association to assist it in developing an active and viable organization that will be engaged in

education on the best production practices, information dissemination, and advocacy on behalf of the members of the association. Today there are over seventy fish farmers interested in joining the association that cover five regions: Zagatala, Balakan, Gakh, Sheki and Oguz.

On November 28 – 30, a workshop was led by the ACT project for the NW Aquaculture Association founders in Zagatala. The project discussed the issues relating to the formation of the association such as its Charter, the organizational structure, functional responsibilities of various departments within the association, membership policies and membership fees. It was decided to develop the scheme and the structure further and have the first general assembly meeting in the middle of January. Two founders, two industry “champions” and the head of Business and Innovation Center participated in the meeting. As a result of this effort these people met with smaller group of interested fish farmers in the region and have had discussions regarding the details such as membership fees and responsibilities of the association. This meeting was held at the end of December 2011.

During the cold chain management workshops held in Guba and Sabirabad, the ACT project began strategic discussions on developing an alliance/association that would be devoted to developing the Azerbaijan cold chain, and would include cold storage operators, farmers, equipment dealers, and repair service companies. In addition, the idea of linking with the Global Cold Chain Alliance (GCCA), or one of its associated alliances in Ukraine, was discussed. Most participants reacted favorably to the ideas of forming an association. However, there was some hesitation amongst some that are concerned that the government may not react favorably to such a development.

During a post-harvest handling workshop for hazelnut growers and processors in Zagatala in early November, there was significant discussion about the formation of the Northwest Hazelnut Producers and Processors Association. The initial idea is to start an association for both producers and processors together, which can be a problematic as processors and producers often have opposing goals. From the discussion, though, it became clear that there was support to start an association and a strong need for one, considering there is a lot of unofficial harassment for hazelnut exporters. It is important to make sure the government becomes a supporting partner in the development of the industry and not a hindrance. Continued work with project BDS partner and the local industry and farmers is needed to develop the objectives, structure and services of the hazelnut industry in the northwest.

Food Safety and HACCP Compliance

In December, a workshop was held in Zagatala for hazelnut farmers and processors to introduce the concept of HACCP to attendees with the goals of improving the quality of hazelnuts for export. The presentation given by ACT project COP, Melani Schultz, on “HACCP vs. Private Standards: How to make a choice?” was well received by producers and processors, and was followed up with questions and additional discussion on HACCP. The Ministry of Economic

Development representative expressed his gratitude to the ACT and GIZ projects for organization of such a beneficial training and encouraged the 26 participants of the training to attend future trainings related to improving hazelnut productivity, trade, and export.

The two project partners, Azsertifica and Quality Association, have continued working on HACCP implementation with 10 companies that have agreed to the work plans that will lead to HACCP compliance. Other activities included visiting additional companies to see if they are interested and suitable for HACCP implementation, such as the M.S. Fish Company, which has a newly renovated production line. In addition, visits have been made to participating companies, such as the SAHLIYALI dairy plant, to monitor and evaluate the activities of project HACCP implementation partners.

Cold Chain Development

Development of the cold chain industry in Azerbaijan is essential for the growth of pomegranate, apple, and other smaller fruit and vegetable industries, such as potatoes, grapes, persimmon, plums, pears and citrus. This is a very new industry, with most facilities being less than two years old, and despite rapid growth, still only provides up to 20% of the capacity for current production. Some crops, such as apples in Guba, will see a doubling of production in the next three years, which will continue to fuel growth in cold chain supporting services.

To support this critical link in the value chains for fresh fruit and vegetables, the ACT project hosted cold chain expert, Patrick Hughes, in the first quarter, to develop training materials and provide two workshops on cold chain management in Guba and Sabirabad; conduct targeted technical assistance to 18 cold chain operators in four regions; develop a report on the cold chain industry in Azerbaijan; and film a TV program that discussed cold chain management issues. This was Patrick's second visit, seeing companies adopt, and profit from, some of his suggestions during his earlier consultancy in May 2011. The project plans to have Patrick back in the summer to continue working with the pilot program, hold pre-harvest meetings with farmers and cold storage operators on post-harvest handling and transportation, and conduct cold storage visits, as feasible.

Activity 3.C: Improve and Expand Knowledge of Agricultural Best Practices

This activity puts the focus on the farmer, with the goal of raising production (quantity), productivity (yields), and quality of the targeted value chains. These activities complement Activity 3.B to ensure that all constraints in the value chain are addressed, and in particular the need for processors and traders to be able to source greater quantities and better quality fruits, fish, and dairy products. Specific activities include farmer training on improved farming and animal raising techniques, development of demonstration sites, development and provision of training materials, and assistance in developing the public and private agriculture extension

system in Azerbaijan. These activities support indicator 3.1 in the ACT Project PMP, which is the number of individuals that have received USG supported agriculture sector productivity training. However, while only 43 farmers received training this quarter, a rapid increase is expected in the second quarter.

Key accomplishments and highlights by value chain and/or sub-activity are as follows:

Sub-Activity 3.C.1: Education/Extension

During the quarter, progress was made in staffing the component to carry out the expanded role in agricultural extension, as envisioned in the ACT Year 2 work plan, which was approved in the end of September. The project recruited a long term expat to manage the expanded extension efforts and to ensure that project efforts will be of equal quality over all the value chains. In addition, the project recruited five of six planned local sector experts to conduct training in their regions and to strengthen the efforts of potential BDS partners. The expat agriculture specialist and five local experts for apples, pomegranates, hazelnuts, and dairy-south will all begin working in January 2012. At the end of the quarter the project was still recruiting for the dairy-central local expert, due to the difficulty in finding a veterinary specialist that is not employed by the government. To support the effort, the project has catalogued all of the training materials and plain language guides to determine which will be the most effective in planned training sessions. Finally, the staff prepared detailed work plans outlining the training for farmers in each value chain and completed draft contracts with monthly deliverables for the BDS partners that should be completed sometime in January 2012.

Sub-Activity 3.C.2: Demonstration Farms

The project has identified two possible demo farms in the aquaculture value chain, with one being in Oguz in the north for a combination trout and carp farm, and one in Neftchala in the south for a carp hatchery and production farm. In January 2012, the aquaculture expert will visit, evaluate, and develop plans for the two sites. In pomegranates, the project has an unofficial agreement with Aznar to utilize an area of its industrial estate for demonstration of modern techniques for local farmers. For apples, the newly hired local expert has two three-year old demonstration sites that are just about to become productive, and will become an important tool in his efforts at farmer training in the northeastern part of Azerbaijan, around Guba. In dairy in the southern part of the country, the project has investigated two sites for medium sized dairies (25-40 head), and will develop plans for them in 2012 with the arrival of the dairy expert. We have yet to identify any demonstration sites for hazelnuts in the northwest. The project has also been considering utilizing the grant budget to support the establishment of these demonstration sites and will determine what to assist in Q2.

Activity 3.D: Improve Access to Finance for SMEs and Farms, particularly in Rural Areas

Sub-Activity 3.D.1: Agricultural/Rural Lending and Leasing

This activity seeks to increase the amount of lending and leasing in the agriculture sector by developing the capacity of selected commercial banks and a bank training center in order to encourage them to provide more services and loan products to the agriculture sector. In addition, seminars on how to access financial services are being held by project BDS partners around the country to assist farmers in accessing loans. This push-pull strategy will greatly improve access to finance for the agriculture sector. These activities support the ACT Project PMP indicators 3.13 (number of new agricultural loans) and 3.14 (percent change in the value of agricultural loans). In the first quarter, number of new loans totaled 2,315, which is just under target, while the percentage increase in value of the agricultural loan portfolio increased 18.2 percent, which is over the target.

Key accomplishments and highlights are as follows:

The ACT project continued to provide training and consulting services to support four commercial banks (Turan, Azercredit, AG Bank, Demir) on improving internal procedures to allow them to increase their lending to agricultural concerns. As a result, the ACT project is on target to meet its indicators of increasing the number of new agricultural loans and increasing the change in value of agricultural loans. In addition, it was reported in October that project BDS partner, AIM in Agjabedi, held three successful access to finance workshops for the dairy value chain for 45 farmers that resulted in six loans being written. Altogether, the project expects to greatly increase the support to commercial banks, begin to seek ways to improve rural access to credit and to support the Azerbaijan Bank Training Center in Q2.

Issues/Constraints in Component 3 in Q1

The biggest issue was a slower than expected approval process, which combined with new complications in the contracting procedure for project BDS partners, has caused delays in work with these important partners. In addition, it became clear that there is a portfolio imbalance amongst the staff, which is being addressed in Q2. Finally, building up a staff to address the shift in activities and focus to support the farmer level directly, and to align with achieving indicators also took a lot of time and resources.

Planned Activities for Q2

In Q2, we move from planning into action. The project, component 3 particularly, will be fully staffed, and ready to begin a large-scale farmer training program. The project will also be

investigating new ways to assist in building up the capacity of its BDS partners, along with its continuing support to SMEs and agribusinesses. By activity, the project plans to do the following in Q2:

Activity 3.A: Identify Subsector that Exhibit Potential for Competitive Growth

Sub-Activity 3.A.1: Market and Other Analysis

The project will distribute and disseminate the results of the DRC analysis on aquaculture. In addition, other value chains will be analyzed, in particular olives in conjunction with a study being conducted in Component 1. The citrus industry in the south will also be a focus of attention, as the marketing season unfolds.

Activity 3.B: Improved Competitiveness of Targeted Sub-Sectors

Sub-Activity 3.B.1: Direct Value Chain Assistance

The project expects to begin work with its BDS partners in Q2 once it receives approval from USAID. ACT will continue to look for ways to provide targeted technical assistance to companies and firms in the value chains, while seeking ways to develop the BDS partners themselves. Specific activities and events that are planned in Q2 include:

- Aquaculture technical expert in January to provide workshops to processors and farmers; design demonstration farms; finalize training materials; film a TV show; assist in association development.
- Dairy technical expert in February to assist in developing large scale training program for dairy farmers; provide direct technical assistance to medium sized farms; provide workshops to farmers; develop solutions to expand the practice of artificial insemination.
- Conduct workshop on HACCP in conjunction with GIZ in Guba.
- Develop agronomic expertise in hazelnut culture by sending key agronomists to Ferrero Rocher training in Georgia.
- Monitor progress and needs of the cold storage sector in preparation for future visit from expert and activities in Q4.
- Continue to work on the formation of the Northwest Hazelnut Producers and Processors Association.

Activity 3.C: Improve and Expand Knowledge of Agricultural Best Practices

Sub-Activity 3.C.1: Education/Extension

ACT efforts for training large numbers of farmers in our five value chains will begin in earnest in Q2 as the project puts into place its newly hired local experts, BDS partners are signed up, and a new agricultural specialist is on staff to manage the activities. Curricula will be developed, training materials finalized, and schedules will be set in Q2. In addition, the project will work with its partner organization, AIM, to see about revitalizing and/or re-certifying its village extension agents, which were trained 10 years ago, and may have left the field. The ACT project will also connect with other development programs in the field to exchange best practices with other programs involved in farmer education. In general, efforts in extension/education will also serve to strengthen the connection between ACT, its partners, farmers, and processors by having a continued presence and activity level in the targeted value chains.

Sub-Activity 3.C.2: Demonstration Farms

Demonstration farms have been identified, and some do not need any additional investment from the project. For demo sites that do need financial assistance to be built or operated, the project will look into providing limited grants in Q2. In addition, the extension/education activity above will also develop specific curricula and methodologies for incorporating the demonstration sites into extension activities.

Activity 3.D: Improve Access to Finance for SMEs and Farms, particularly in Rural Areas

Sub-Activity 3.D.1: Agricultural/Rural Lending and Leasing

For Q2, the project will intensify its support to its four partner commercial banks with the presence of two consultants for most of the quarter. Training of the banks will focus on improving credit manuals, loan promotion, quick reporting, portfolio transfer procedures, credit training program, and recommendations on new product development. In Q3, the project will also focus on providing support to agricultural SMEs in obtaining loans, plus conducting some broad based training to farmers on financial literacy. ACT will also seek to enter into an agreement in Q2 with the Azerbaijan Bank Training Center to both build up its capacity and to utilize in future agriculture access to finance activities.

Coordination with other Donor Projects

The project has been developing several efforts in cooperation with other donors to leverage resources and expertise where possible. Some of these activities have already been mentioned such as the work with IFC on food safety inspections and secured transactions legislation and the workshop on October 27, 2011. In addition, the project developed a joint workshop with GIZ on HACCP and hazelnuts in cooperation with Ferrero. GIZ and the project will be developing a set of joint activities to support greater understanding of standards, including HACCP, by the private sector throughout the year.

In addition to the already mentioned activities, the project participated in several donor discussions over the quarter to support development and implementation of a food safety strategy for Azerbaijan. This effort was spearheaded by FAO working directly with the Ministry of Agriculture. The project specifically provided feedback and participated in a workshop in October 26 and 27, 2011.

The project also provided support to the economic reform group within the U.S. Embassy participating in meetings in October and December 2011 and supported a follow up meeting for the Ambassador level agriculture discussion on December 7. In conjunction with those meetings, the project had developed an agriculture policy agenda that we updated in subsequent technical meetings. One such meeting was directly organized by the project on November 18 to discuss food safety with other interested donors.

The project will continue to support other donor coordination and policy discussions that are in line with its objectives.

Cross Cutting Activities

Monitoring and Evaluation

The following table provides the status of indicators for the quarter in comparison with the agreed upon targets.

Indicators	Data for Fiscal Year2 Quarter 1		Targets			Comments
			FY1 ⁴	FY2	FY3	
1-2.1. Number of direct exposures of public education/advocacy	Male	Female	670	600	700	The role of secured transactions and moveable property registry, Adjustment of the Draft Competition Code to EU Standards, Improving the Azerbaijani Competition Legislation and Policy, Discussion on Trade Facilitation: Import and Export Barriers
	138	33				
1-2.2. Number of indirect exposures of public education/advocacy	4		7	14	21	Several TV shows and publications.
1-2.3. Number of institutions/organizations undertaking capacity/competency strengthening as a result of USG assistance	1		12	12	0	The new institution that was strengthened is the Institute for Economic Reforms.
Component 1						
1.1. Implementation of modern risk assessment system in line with international best practices by the Central Bank	No		No	Yes	Yes	The expert to support this work was mobilized in this quarter
1.2. Number of people trained in using the outputs of the risk assessment system for banks at the Central Bank	0		0	40	40	The expert to support this work was mobilized in this quarter
1.3. Number of people trained with the goal of improving or working more effectively with the business enabling environment	Male	Female	194	100	100	No activities this quarter.
	0	0				
1.4. Number of agencies that introduce improvements into their food safety inspection regimes as the result of project assistance	0		0	2	2	Kicked off activities that should lead to reaching targets by the end of year 2
1.5. Number of agencies that have adopted methodologies for measuring impacts of their regulatory proposals as the result of project assistance	0		0	2	2	Activity slightly delayed to due to resignation of the Business Environment Specialist
1.6. Number of people completing a project-supported E-learning program on AFL/CFT	0		0	200	1000	This work is well underway. Measurable results are not likely to be seen until the end of the 4 th quarter.
1.7. Number of currency transaction reports sent from reporting entities to the Financial Management Service	59,113		188,030	180,000	200,000	The numbers in Q1 are on track to exceed the target for Y2. However, it is quite possible that seasonal variation could result in far fewer currency transaction reports in the coming quarters,

⁴ FY1 targets for indicators 1-2.1, 1-2.2, and all Component 1 indicators are actuals.

Indicators	Data for Fiscal Year2 Quarter 1				Targets			Comments
					FY1 ⁴	FY2	FY3	
								especially Q3 and Q4.
1.8. Number of suspicious transaction reports sent from reporting entities to the Financial Management Service	3,963				18,623	25,000	20,000	The numbers in Q1 are on track to come in below the target for Y2. However this could change in the following quarters. At the same time, fewer suspicious transaction reports can be read as consistent with improved reporting efficiency. In other words, banks tend to report fewer suspicious transactions due to better investigative techniques and understanding of customer behavior.
1.9.Number of cases referred from the Financial Monitoring Service to the appropriate prosecuting authority	1				10	3	3	The numbers here were revised downward to reflect stricter standards by the FMS in reporting cases. This came about after prosecutors established a clearer standard for cases referred by the FMS in Y1 due to insufficiency of evidence.
1.10. Number of cases referred by the Financial Monitoring Service that result in the initiation of prosecutory proceedings	0				1	1	2	The fact that there were no cases in Q1 is not unusual. It may be several quarters before a case is initiated.
1.11.Number of business environment laws, regulations, or administrative procedures drafted, submitted for public/stakeholder consultation, submitted for legislative consideration, or passed/ approved	1				5	10	10	This was the Law on Secured Transactions on which the project has been working with the IFC to promote
Component 2								
2.1. Number of USG supported training events that relate to improving the trade and investment environment	0				8	8	8	
2.2.Number of participants in trade and investment environmental trainings	Male		Female		120	80	100	
	0		0					
2.3.The number of new requests, offers, revised offers, or other formal text that are submitted by a host country as part of international trade talks attributable to USG assistance	2				5	5	5	1.As a result of USG assistance Azerbaijan Government submitted revised Factual summary to WTO which is main document for multilateral negotiations under WTO 2. As a result of USG assistance, Azerbaijan government submitted Annex 6 of ACC 1 to the WTO on state trading entities 3. As a result of USG assistance, Azerbaijan government submitted revised ACC 4 on domestic agricultural support for the base year of 2008-2010
2.4. Number of bilateral, plurilateral, and multilateral meetings toward negotiating accession to agreements, conventions, and international organizations	bilateral	plurilateral	multilateral		5	6	5	
	0	0	0					
2.5.Number of legal, regulatory, or institutional actions taken to improve implementation or compliance with international trade and investment agreements due to support from USG-	drafted	Movement in legislation process	Submitted	approved	6	6	6	The Law on Piracy moved from Cabinet of Ministries to the President office

Indicators	Data for Fiscal Year2 Quarter 1				Targets			Comments		
					FY1 ⁴	FY2	FY3			
assisted organizations	0	1	0	0						
Component 3 ⁵										
3.1.Number of individuals who have received USG supported short-term agricultural sector productivity training	Male		Female			1000	9,000	12,000		
	43		0							
3.2.Number of firms receiving USG supported assistance to improve their management practices	Processor	trader	agronomist	dealer	In. supplier	Vet.	40	40	140	
	98	0	2	0	0	0				
3.3.Number of firms receiving USG assistance that are compliant with international quality control, environmental and other process voluntary standards or regulations	0				0	6	4			
3.4.Number of microenterprises receiving business development services from USG assisted sources	NA				500	1000	1000			
3.5.Number of farmers, processors, and others who have adopted new technologies or management practices as a result of USG assistance	NA				500	4500	6000			
3.6.Percent change in the yield of targeted commodities as a result of USG assistance	NA				(1) 2% (2) 2% (3) 2%	(1) 5% (2) 30% (3) 25%	(1) 7% (2) 35% (3) 30%			
3.7.Percent change in value of purchases from smallholders of targeted commodities as a result of USG assistance	NA				2%	10%	15%			
3.8.Percent change in income as a result of USG assistance	NA				5%	20%	20%			
3.9.Percent change in the value of purchases by processors as a result of USG assistance	NA				(1) 10% (2) 3% (3) 3% (4) 3%	(1) 15% (2) 5% (3) 5% (4) 5%	(1) 25% (2) 8% (3) 8% (4) 8%			
3.10.Percent change in sales in the following targeted commodities by processors as a result of USG assistance	NA				(1) 10% (2) 3% (3) 3% (4) 3%	(1) 15% (2) 5% (3) 5% (4) 5%	(1) 25% (3) 8% (3) 8% (4) 8%			
3.11.Percent change in the value of international exports of the following targeted agricultural commodities as a result of	NA				(1) 3%	(1) 10%	(1) 12%			

⁵ Indicators 3.4 through 3.12 are being measured through farmer and processor surveys. The survey process is in progress and there is no data available at the present time.

Indicators	Data for Fiscal Year2 Quarter 1	Targets			Comments
		FY1 ⁴	FY2	FY3	
USG assistance		(2) 3% (3) 3%	(2) 20% (3) 10%	(2) 20% (3) 15%	
3.12.Number of jobs created as a result of USG assistance	NA	7	2000	2500	
3.13. Number of new agricultural loans or leasing agreements made by financial institutions receiving project assistance.	2315	5417 ⁶	10973	8431	
3.14. Percentage change in the value of agricultural loans or leasing agreements made by financial institutions receiving project assistance.	12.6%	26%	55%	30%	

Financial Reporting

The table below provides a breakdown of costs by category for Q1 FY 2012 (October 1-December 31, 2011).

Categories	Vouchered Oct 1 – Dec 31, 2011 (US\$)	Vouchered Oct 1, 2010 – Dec 31, 2011 (US\$)
Technical assistance		
<i>Expatriates (US and TCN): Long-term Technical Assistance</i>	264,179	1,208,502
<i>Expatriates (US and TCN): Short-term Technical Assistance</i>	471,428	2,953,215
<i>Local Staff</i>	363,751	1,583,652

⁶ FY1 targets for indicators 3.13, 3.14 are actuals.

Categories	Vouchered Oct 1 – Dec 31, 2011 (US\$)	Vouchered Oct 1, 2010 – Dec 31, 2011 (US\$)
LTTA Allowances	63,958	290,216
Training Expenses	175,621	217,348
Administrative Expenses		
Travel/Transportation/Housing/Office Rent	214,662	1,320,819
Equipment & Vehicles	4,745	159,191
Other (Communications and Delivery, Bank Charges, Translation/Editing Services, Occasional Labor, Passports and Visas, Local CCN Social Costs, Legal Costs, etc.)	172,162	796,069
G&A	75,135	334,037
Grants	0	0
TOTAL	1,805,641	8,863,049

Communications and Outreach

During Year 2 Quarter 1 the Project implemented the following TV and news outreach activities:

Name	Description\Topic	Attended	Date
“Economic Forum” program on ANS TV Topic: <i>Export Costs and Barriers</i>	Local experts discussed export costs and barriers, WTO requirements in this relation, possible implications and proposed recommendations.	Mr. Elkhan Mikayilov - Component 2 Team Leader, ACT Mr. Gubad Ibadoglu – Director of Economic Research Center	15.10.2011
“Economic Forum” program on ANS TV Topic: <i>Real Estate Rights and Their Registration</i>	International and local experts discussed current situation related real estate rights, existing procedures for registration of real estate rights and recommendations for their improvement.	Ms Leyla Taghiyeva – Business Legislation Expert, ACT Mr.Stevan Dobrilovic – International expert	22.10.2011
News article on Secured Transaction Seminar held jointly by IFC and ACT Project			27.10.2011
“Economic Forum” program on ANS TV Topic: WTO Accession and Standardization System	ACT expert Mr Elkhan Mikayilov and other local experts discussed Azerbaijan’s accession to WTO and requirements in relation with Standardization System	Mr. Elkhan Mikayilov – Component 2 Team Leader, ACT	25.11.2011

Name	Description\Topic	Attended	Date
<p>"Bolluq" program on RTV (Guba)</p> <p>Topic: Cold Storage Management</p>	<p>ACT local expert and international consultant discussed the benefits of cold storage in the marketing of locally produced apples and best practices in the field. Discussions included current cold storage management practices, developed processes in the food supply chain, increased market channels and revenues brought along by new process standards. Samples from local cold storage</p>	<p>Mr. Anar Azimzade – Value Chain Specialist, ACT</p> <p>Mr. Patrick Hughes – international cold storage expert</p>	09.12.2011
<p>News article on completion of the four-week Project Appraisal and Risk Analysis Training at Economic Research Center under the Ministry of Economic Development</p> <p>http://www.ier.az/view.php?lang=en&menu=305&submenu=51&id=305</p>	<p>Economic Reforms Institute published an article on completion of a major training course on Project Appraisal and Risk Analysis (focusing on cost benefit analysis) with approximately 25 students making final presentations and taking written exams. The four-week training was arranged by the USAID ACT Project in cooperation with the Institute of Economic Reforms (IER) under the Ministry of Economic Development.</p>	<p>Participants: ERC, State Water Supply Design Institute, Azerbaijan Scientific Research Hidrotechniques and Melioration Union, Azerenergy Company, State Oil Fund, Ministry of Finance, Ministry of Emergency Situations, State City Building and Architecture Committee Ministry of Youth and Sports, and Public Health and Reforms Center. The trainees from IER will later serve as trainers</p>	17.12.2011
<p>TV program on Kanal 5 (Sheki)</p> <p>Topic: Competition</p>	<p>Discussion of the competition code and its implications.</p>	<p>Mr. Eldar Gojayev – Component 1 Deputy Team Leader, ACT</p> <p>Mr. Ali Masimli – Member of Parliament</p>	28.12.2011

Fixed Price Contracts

The following fixed price contracts were signed in in FY2012 Q1 (October 1, 2011 – December 31, 2011).

AR Number	Contract #	Contracted Amount (AZN)	Organization	Value Chain/Subject Area	Region	Period of Performance
69	04	12,000.00	Sabit Bagirov	TV program on trade and investment issues	N/A	27 April 2011- 28 Feb 2012
71	05	26,120.00	Economic Research Center	Quantifying Cost of Trade and Conducting Impact Assessment of	N/A	27 April 2011 - 30 Dec 2011
113	06	25,320.00	Economic Research Center	DRC Lead Firm	Salyan, Neftichala, Sheki,	27 June 2011- 30 Jan 2012
112	09	16,985.00	Azerbaijan Agribusiness Center	DRC Support Firm	Salyan, Neftichala, Sheki, Zagatala, Baku	27 June 2011 - 30 Jan 2012
136	16	70,000.00	Azsertifika Consulting firm (phase 2)	HACCP implementation - 2 Phase	Goychai, Lenkaran, Agdash	3 October 11 - 30 April 113
137	17	30,000.00	Quality Association Public Union (phase 2)	HACCP implementation - 2 Phase	Baku	3 October 11 - 30 Sept 12
153	18	16,455.70	Isgandarov&Partners	Mapping the Process for Starting and Operating Two Illustrative Businesses	Baku, Mingechavir, Neftichala	5 Dec 11 - until the date that the final payment is made, unless the subcontract has not otherwise been terminated or amended

Annex 1 – Legislative Tracking Trade Environment as of December 31, 2011

Legislative Status

As of December 2011

*WTO related but was not listed on the Presidential Action Plan

**Laws for which ACT is providing assistance related to implementation

At Parliament:

At President Office:

Draft Legislation	Comments
1. Draft Law “On Technical Regulations” **	The President is introducing additional amendments to this Draft. It is expected to be submitted to the Parliament early 2012
2. Draft Law “On Securing Intellectual Property Rights and Combating Piracy”	Draft Law is being reviewed at President office level and is expected to be submitted to Parliament early 2012

At Cabinet of Ministers:

Draft Legislation	Comments
3. Draft Law “On Protection of Rights of Broadcasting Organizations in Digital Network”	In Cabinet of Ministers. No outstanding issues.
4. Draft Amendments to the Law “On Food Products” No.759-IQ dated November 18, 1999**	Draft has been agreed with all agencies except State Committee on Standardization, Metrology and Patents. Once agreed with them, draft will be submitted to President Office.
5. Draft Amendments to the Law of the Republic of Azerbaijan “On Sanitary and Epidemiologic Welfare” No.371 dated November 10, 1992	At Cabinet of Ministers. Ready for submission to the President Office.

Draft Legislation	Comments
6. Draft Cabinet of Ministers Resolution “On Declaration of Works to be Fallen Into Public Domain”	At Cabinet ready for approval.
7. Draft Cabinet of Ministers Resolution “On Minimum Tariffs for Use of Subject Matters of Related Rights”	At Cabinet ready for approval.

At Ministerial Level:

Draft Legislation	Comments
8. Draft Amendments to the Rules “On Rules of Issuance of Special Permission (Licenses) for Some Types of Activities” approved by Decree of the President No.782 dated September 2, 2002	A legal working group was established to revise this Draft to ensure greater conformity with the WTO Agreement on Import Licensing Procedures. It has been agreed to set the fees for alcohol, tobacco, and precursors licenses on line with GATT Article VIII
9. Draft Law amending Law on Standardization*	Draft is being revised
10. Draft Law on Accreditation of Conformity Assessment Bodies*	Draft being revised at the State Committee for Standardization, Metrology, and Patents taking most recent comments by ACT
11. Draft Amendments to the Law on Customs Tariff	Draft is being prepared. ACT submitted a compilation of suggestions to bring this line with WTO CVA and ROO

“Second Legislative Action Plan”

At Cabinet of Ministries

Draft Legislation	Comments
12. Amendments to the Law of Azerbaijan Republic on Commercial Secrets, No. 224-IIQ dated 4 December 2001	At Cabinet of Ministers. Ready for submission to the President Office. ACT will work with President Office to introduce additional improvements.
13. Amendments to the Law of Azerbaijan Republic on Legal Protection of Topologies of Integral Schemes”, No. 337-IIQ dated 31 May 2002	At Cabinet of Ministers. Ready for submission to the President Office. ACT will work with President Office to introduce additional improvements.
14. Amendments to the Civil Procedural Code of	At Cabinet of Ministers. Ready for submission to the President Office.

Draft Legislation	Comments
Azerbaijan Republic No. 780-IQ dated 28 December 1999	
15. Amendments to the Criminal Code of Azerbaijan Republic, No. 787-IQ dated 30 December 1999	At Cabinet of Ministers. Ready for submission to the President Office. ACT will work with President Office to introduce additional improvements.
16. Amendments to the Code of Administrative Offences of Azerbaijan Republic, No 906-IQ dated 11 July 2000	At Cabinet of Ministers. Ready for submission to the President Office.
17. Draft Resolution of Cabinet of Ministers on “some issues related to the granting international standard numbers to books, periodic publications, audiovisual works and audio records	At Cabinet of Ministers. Ready for adoption.

At Ministry of Economic Development:

Draft Legislation	Comments
18. Amendments to the Law on Phytosanitary Control, No. 102-IIQ dated 12 May 2006	Draft has been finalized by the Ministry of Justice. Will be submitted to Cabinet as part of package along with other drafts (once finalized) called for under the second legislative action.
19. Amendments to the Law on Veterinary - No. 922-IIQ dated 31 May 2005	Draft has been finalized by the Ministry of Justice. Will be submitted to Cabinet as part of package along with other drafts (once finalized) called for under the second legislative action.
20. Draft Law on Anti Dumping, Safeguards and Countervailing Measures	Draft Law is being further fine tuned at the Ministry of Economic Development (MOED) level.
21. Draft Law on Foreign Trade Activity	Draft Law has been submitted by the Ministry of Economic Development to the Ministry of Justice for approval. ACT reviewed the Draft and provided comments to the Ministry of Justice.

At Ministerial Level:

Draft Legislation	Comments
22. Draft Law on Plant Variety	First being revised by the Ministry of Agriculture taking into account ACT review and additional suggestions for improvements

Draft Legislation	Comments
23. Draft Resolution of Cabinet of Ministers on Approval of “Rules for determination of the amount of claim related to the violation of the copyright and related rights”	Draft has been submitted to the Cabinet of Ministers
24. Draft Resolution on Implementation of Interpretative Notes for Customs Valuation	Model has been prepared. Customs has not yet initiated work to prepare a draft based on this model.

Adopted Legislation

Laws

1. New Customs Code of Azerbaijan Republic, adopted by Parliament on June 24, 2011
2. Amendments to the Law of the Republic of Azerbaijan “*On Normative Legal Acts*” No. 761-IQ, dated November 26, 1999
3. Amendments to the Law “*On Currency Control*” No. 910, dated October 21, 1999 (A)
4. Amendments to the Law “*On State Duty*” No. 223-IIQ, dated December 4, 2001
5. Amendments to the Tax Code of the Republic of Azerbaijan, approved by the Law of the Republic of Azerbaijan No.905-IQ, dated July 11, 2000
6. Amendments to the Law of the Republic of Azerbaijan “*On Copyright and Related Rights*” No. 115-IQ, dated July 5, 1996
7. Amendments to the Law of the Republic of Azerbaijan “*On Viticulture and Wine-Making*” No. 208-IIQ dated October 19, 2001
8. Draft Amendments Law of the Republic of Azerbaijan “*On Customs Tariff*” No.1064, dated June 20, 1995
9. Draft Amendments to the Law of the Republic of Azerbaijan “*On Trademarks and Geographical Indications*” No. 504-IQ, dated June 12, 1998
10. Draft Amendments to the Law of the Republic of Azerbaijan “*On Tobacco and Tobacco Products*” No. 138-IIQ dated June 8, 2001
11. Draft Amendments to the Law of the Republic of Azerbaijan “*On Patents*” No.312-IQ dated July 25, 1997

President Decrees

12. Draft Amendments to President Decree 619 of December 26, 2001
13. Draft Amendments to Decree of the President “*On Further Liberalization of Foreign Trade in the Republic of Azerbaijan*” No.609 dated June 24, 1997

Sublegal Acts

14. Amendments to the Resolution of the Cabinet of Ministers “*On Rates of Customs Duties for Import and Export Transactions and Amount of Fees Charged on Customs Clearance in the Republic of Azerbaijan*” No.80 dated April 12, 2001
15. Amendments to the Resolution of the Cabinet of Ministers “*On the Rates of State Fees on Issuance of Special Permissions (Licenses) for Activities Requiring Special Permissions (Licenses)*” No.180 dated 18 November 2002

16. Amendments to the Resolution of the Cabinet of Ministers *“On the Rules for Customs Valuation Methods for Goods Imported into and Exported out of the Republic of Azerbaijan”* No.7 dated January 12, 1998
17. Amendments to the Resolution of the Cabinet of Ministers *“On Approval of the Rules of Determination of Origin of Goods”* No.202 dated November 2, 2000
18. New Resolution of the Cabinet of Ministers *“On Rules on Determination of the Minimum Amount, Distribution and Payment of the Author’s Royalty for Reproduction of Works and Audiovisual Works from Phonograms for Exclusively Personal Purposes”*
19. Draft Amendments to Cabinet of Ministers *“On Rates of Fees Paid for Currencies Taken of the Republic by Resident Physical Persons”* No. 79 dated 17 May 2002
20. Draft Amendments to Resolution No. 140 *“On Approval of Additional Rules and Regulations for the Purpose of Protection of the State Border of the Republic of Azerbaijan”* dated March 9, 1993
21. Cabinet of Ministers Order establishing National Codex Point was adopted
22. Decision of State Committee for Standardization, Metrology, and Patents on Establishing TBT Enquiry Point was adopted

Other Related Laws (not on agenda):

23. Law on Ecologically Clean Agriculture No. 650-IIIQ dated 13 June 2008
24. Law on Special Economic Zones No. 791-IIIQ dated 14 April 2009
25. Amendments to the Law on Public Procurements No. 245-IIQ dated 27 December 2001 (concerning establishing an official website on public procurement) – adopted as one of the seven laws considered as package for combating corruption

Annex 2 – Capacity Building

Component	Name of the Event	Type of the Training	Start Date	End Date	Training Provider	Training Provider's Address	# of Participants-Male	# of Participants-Female
1	The role of the unified cadaster of real estate and National Spatial Data Infrastructure in property administration	presentation delivered at the international conference	10/06/2011	10/07/2011	World Bank, State Committee for Property Issues	90A Nizami Str. Landmark Baku AZ1010	79	10
2	Export Costs and Barriers	TV Show	10/15/2011	10/15/2011	ACT project	133 Bashir Safaroglu str. SAT Plaza, 15th floor Baku, AZ1009, Azerbaijan		
1	Brochure and land registration issues	roundtable	10/17/2011	10/17/2011	ACT project	133 Bashir Safaroglu str. SAT Plaza, 15th floor Baku, AZ1009, Azerbaijan	8	3
1	Teleconference between Naren Seth (RAS Consultant) and CBA Bank Supervision Department	teleconference	10/20/2011	10/20/2011	ACT project	133 Bashir Safaroglu str. SAT Plaza, 15th floor Baku, AZ1009, Azerbaijan	1	0
1	Property Rights Registration	TV show	10/22/2011	10/22/2011	ACT project	133 Bashir Safaroglu str. SAT Plaza,		

Component	Name of the Event	Type of the Training	Start Date	End Date	Training Provider	Training Provider's Address	# of Participants-Male	# of Participant s-Female
						15th floor Baku, AZ1009, Azerbaijan		
1	Evidence Based Tax Modeling Policy Analysis: Revenue Impact Assessment Value Added Tax Model	training	10/24/2011	10/24/2011	ACT project	133 Bashir Safaroglu str. SAT Plaza, 15th floor Baku, AZ1009, Azerbaijan	9	0
3	Postharvest Management Workshop	workshop	10/24/2011	10/28/2011	ACT project	133 Bashir Safaroglu str. SAT Plaza, 15th floor Baku, AZ1009, Azerbaijan	2	0
1	Food Safety discussion	roundtable	10/25/2011	10/25/2011	ACT project	133 Bashir Safaroglu str. SAT Plaza, 15th floor Baku, AZ1009, Azerbaijan	13	2
1	The role of secured transaction and movable property registry	Presentation delivered at the conference	10/27/2011	10/27/2011	ACT project	133 Bashir Safaroglu str. SAT Plaza, 15th floor Baku, AZ1009, Azerbaijan	41	9
1	Adjustment of the Draft Competition Code to EU standards	presentation delivered at public hearing	10/31/2011	10/31/2011			39	12
1	Post-Harvest Handling	workshop	11/3/2011	11/3/2011	ACT project	133 Bashir Safaroglu str.	11	0

Component	Name of the Event	Type of the Training	Start Date	End Date	Training Provider	Training Provider's Address	# of Participants-Male	# of Participants-Female
						SAT Plaza, 15th floor Baku, AZ1009, Azerbaijan		
1	Activity Bases Management training to middle and senior management	training	11/14/2011	11/19/2011	ACT project	133 Bashir Safaroglu str. SAT Plaza, 15th floor Baku, AZ1009, Azerbaijan	17	8
1	Cost Benefit Analysis	training	11/14/2011	12/10/2011	ACT project	133 Bashir Safaroglu str. SAT Plaza, 15th floor Baku, AZ1009, Azerbaijan	27	11
3	Cold Storage Management in Guba	workshop	11/17/2011	11/17/2011	ACT project	133 Bashir Safaroglu str. SAT Plaza, 15th floor Baku, AZ1009, Azerbaijan	13	0
2	Trade facilitation--export and import barriers	presentation	11/21/2011	11/21/2011	ACT project	133 Bashir Safaroglu str. SAT Plaza, 15th floor Baku, AZ1009, Azerbaijan	2	2
2	Trade Facilitation	presentation	11/23/2011	11/23/2011	ACT project	133 Bashir Safaroglu str. SAT Plaza, 15th floor	28	8

Component	Name of the Event	Type of the Training	Start Date	End Date	Training Provider	Training Provider's Address	# of Participants-Male	# of Participants-Female
						Baku, AZ1009, Azerbaijan		
2	WTO and Standardization	TV show	11/26/2011	11/26/2011	ACT project	133 Bashir Safaroglu str. SAT Plaza, 15th floor Baku, AZ1009, Azerbaijan		
3	Cold Storage Management in Sabirabad	workshop	12/1/2011	12/1/2011	ACT project	133 Bashir Safaroglu str. SAT Plaza, 15th floor Baku, AZ1009, Azerbaijan	21	0
3	Advanced Methods of Pomegranate Cultivation Practices	training	12/08/2011	12/11/2011	ACT project	133 Bashir Safaroglu str. SAT Plaza, 15th floor Baku, AZ1009, Azerbaijan	12	0
3	Cold storage Management	TV show	12/09/2011	12/09/2011	ACT project	133 Bashir Safaroglu str. SAT Plaza, 15th floor Baku, AZ1009, Azerbaijan		
3	Hazelnut Production and Export	technical presentation and training	12/13/2011	12/14/2011	ACT project	133 Bashir Safaroglu str. SAT Plaza, 15th floor Baku, AZ1009, Azerbaijan	26	0

Component	Name of the Event	Type of the Training	Start Date	End Date	Training Provider	Training Provider's Address	# of Participants-Male	# of Participants-Female
1	Identification of the actual topics of workshops on inspections for food safety in the next year	roundtable	12/16/2011	12/16/2011	ACT project	133 Bashir Safaroglu str. SAT Plaza, 15th floor Baku, AZ1009, Azerbaijan	5	3
1	Improving the Azerbaijani Competition Legislation and Policy	roundtable	12/27/2011	12/27/2011	ACT project	133 Bashir Safaroglu str. SAT Plaza, 15th floor Baku, AZ1009, Azerbaijan	31	3
1	Improving the Azerbaijani Competition Environment and Legislation	TV show	12/27/2011	12/27/2011	ACT project	133 Bashir Safaroglu str. SAT Plaza, 15th floor Baku, AZ1009, Azerbaijan		